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STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-0855-RULE	
Proposed revisions to Vermont Public Utility Commission Rule 5.100	

VERMONT DEPARTMENT OF PUBLIC SERVICE COMMENTS ON REVISING RULE 5.100 TO ADDRESS SHEFFIELD HIGHGATE EXPORT INTERFACE ("SHEI") IMPACTS

On July 27, 2021, the Vermont Public Utility Commission ("Commission") held a workshop to discuss potential changes to Commission Rule 5.100, the Net-Metering Rule, intended to address issues related to the Sheffield Highgate Export Interface ("SHEI"). The Vermont Department of Public Service ("Department") submits the following comments as follow-up to the Commission's July 27, 2021, workshop on potential changes to Rule 5.100 regarding the SHEI.

As an initial matter, it is important to recognize that a locational adjustor for distributed generation ("DG") programs is necessary to reflect the reality that the value of DG to Vermont electric customers depends on the characteristics of the grid where the DG is being interconnected. To date, Vermont's incentives for DG have focused on developing new generation, with very little regard for the impact of this DG on the grid. While this was an appropriate strategy during the early days of DG development, Vermont now has more DG, as a percentage of load, than every state except Hawaii and California. It is past time to recognize that DG can have a collective impact on the electric system and to steer new DG to areas where it is most valuable, or at least has a minimal impact on the system.

To achieve meaningful greenhouse gas emission reductions, there will need to

be a switch to electric vehicles and heat pumps, with a corresponding increase in load. The amount of new load from electrification will not be spread uniformly across Vermont, and to build out a modern electric grid, the location of DG growth should correlate with the location of load growth. Vermont's DG policy, including net-metering, should encourage the move to a modern grid by sending price signals that reflect the locational value of DG.

The SHEI area represents a very specific case study of the consequences of not aligning DG incentives with the reality of the grid. Not only is there a small amount of load in this area, but the amount of renewable generation is orders of magnitude higher than existing load. In addition, there is an overlay of wholesale electricity market rules implemented by ISO New England, Inc. ("ISO-NE") and regulated by the Federal Energy Regulatory Commission ("FERC"). The SHEI Grid Adjustor proposed in Case Number 20-3304-PET, was designed to mitigate the economic impacts of new DG in the SHEI area by requiring that new DG pay a per kW fee commensurate with the decreased value of the renewable generation supported by Vermonters. The grid adjustor was designed in the context of review under 30 V.S.A. § 248, which is why the proposal focuses on mitigating economic impacts; the price signal associated with the grid adjustor is therefore incidental.

The Department recommends that any revisions to the net-metering rule should address the broader issue of the locational value of DG, rather than simply focusing on expressly allowing a grid adjustor for projects within the SHEI area.

Any enabling language to effectuate this policy shift would need to be flexible, transparent, and ensure that interested stakeholders have ample opportunity to comment. The Department recommends the following language:

> Locational Adjustors. An Electric Company may include a locational adjustor for net-metering systems located within its service territory or a portion of its service territory in its net-metering tariff. When proposing a locational adjustor, the Electric Company must provide the following: (1) specific geographic boundaries as to where the locational adjustor would be applied; (2) the existing and forecasted load within the area; (3) the existing and forecasted DG deployment within the area; (4) the capacity of the distribution, sub-transmission, or transmission system within the area that is facing a constraint; (5) the proposed adjustor amount, along with an explanation of how the adjustor was calculated and the expected effect of the adjustor on DG deployment; (6) the identity of any other affected VT distribution utility, or VELCO, that is impacted by the locational adjustor, particularly in cases where it is the sub-transmission or transmission system that is facing a constraint; and (7) any other factors relevant to the determination of whether a locational adjustor is just and reasonable.

This language is flexible enough to allow a utility to propose a SHEI grid adjustor, while also ensuring that locational adjustors outside the SHEI area could also be developed. In addition, given that the adjustor would be proposed in a tariff filing, there is a process for review and challenge of the proposed adjustor. It is an open question as to whether the rule should include reporting requirements (such

as regular updates of the relevant information) or whether these would be better addressed in any order approving the tariff filing. Additionally, the Department notes that each utility within the SHEI area would need to submit a separate tariff, rather than having one mechanism for the entire area. However, the Department expects that the first proposed tariff addressing SHEI impacts could be used as a model for any other utilities in the same situation.

The Department looks forward to feedback on this proposed language and notes that additional information requirements may need to be provided in the rule and that any changes made to other aspects of Commission Rule 5.100 (including the compensation structure) could necessitate changes to the above proposed rule language. Thank you for the opportunity to comment regarding this matter, please contact me with any questions or concerns.

Dated at Montpelier, Vermont, this 27th day of August 2021.

VERMONT DEPARTMENT OF PUBLIC SERVICE

By: /s/ Alex Wing
Alexander Wing, Special Counsel
112 State Street
Montpelier, VT 05620
(802) 828-4011
alexander.wing@vermont.gov

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